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# A BILL FOR AN ACT

RELATING TO CIGARETTE TAXES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that since the inception  
2 of the cigarette tax in the State, cigarette tax revenue has  
3 funded vital health care services in the State, including cancer  
4 research and prevention, the State's trauma system, community  
5 health centers, and emergency medical services. Before 2006,  
6 all cigarette tax revenue was directed to the State's general  
7 fund, indirectly supporting health initiatives. However, with  
8 the passage of Act 316, Session Laws of Hawaii 2006, which  
9 included an increase in the cigarette tax, the legislature  
10 formally recognized the importance of allocating increased  
11 amounts of cigarette tax revenues to programs that strive to  
12 maintain public health in the State, such as the cancer research  
13 center of Hawaii, the State's emergency medical services,  
14 critically needed trauma centers, and community health centers.  
15 The legislature believes these programs are the most appropriate  
16 and effective use of cigarette tax revenues to help the greatest  
17 number of people in the State.



1           The legislature further finds that financial support for  
2 research into the causes and treatment of cancer is especially  
3 critical now that cancer diagnoses in the United States for 2024  
4 are expected to surpass two million for the first time in  
5 history. In the State, an average of 7,393 local residents are  
6 diagnosed with invasive cancer, leading to 2,393 deaths each  
7 year. Nearly forty per cent of today's adult population will  
8 experience cancer in their lifetimes. The cancer research  
9 center of Hawaii, also known as the university of Hawaii cancer  
10 center, is one of only seventy-two National Cancer Institute  
11 (NCI)-designated cancer centers in the United States. A  
12 NCI-designation is a mark of excellence, requiring the cancer  
13 research center of Hawaii to meet rigorous standards for  
14 transdisciplinary, state-of-the-art research focused on  
15 developing new and better approaches to preventing, diagnosing,  
16 and treating cancer. Furthermore, the cancer research center of  
17 Hawaii is also the only NCI-designated cancer center serving the  
18 State and the Pacific. It is the only cancer center studying  
19 cancer causes and treatments in the diverse ethnic groups found  
20 in Hawaii and the Pacific, such as Native Hawaiians and Pacific  
21 Islanders.



1           The legislature additionally finds that a portion of the  
2 cigarette tax revenue currently allocated to the Hawaii cancer  
3 research special fund is specifically pledged towards revenue  
4 bonds sold to construct the cancer center in 2010, conduct  
5 cancer research, and fund its operations. Due to successful  
6 public education, strong anti-smoking policies, and increased  
7 costs to cigarettes, the decline in smoking rates is a public  
8 health victory. However, paradoxically, this decline in smoking  
9 has resulted in a decrease of over fifty per cent in cigarette  
10 tax revenues to the Hawaii cancer research special fund. This  
11 decline jeopardizes the revenue stream for debt service for the  
12 revenue bonds and diminishes the availability of resources for  
13 the cancer research center of Hawaii to deliver cutting-edge  
14 cancer treatments to the State's cancer patients.

15           Accordingly, the purpose of this Act is to ensure the  
16 payment for debt service for the revenue bonds and the continued  
17 availability of resources for the cancer research center of  
18 Hawaii's research and operations by:

19           (1) Increasing the cigarette tax from sixteen cents to  
20           eighteen cents; and



1           (2) Amending the disposition of cigarette tax revenues by  
2           allocating the increase in the cigarette tax amount to  
3           the Hawaii cancer research special fund.

4           SECTION 2. Section 245-3, Hawaii Revised Statutes, is  
5 amended by amending subsection (a) to read as follows:

6           "(a) Every wholesaler or dealer, in addition to any other  
7 taxes provided by law, shall pay, for the privilege of  
8 conducting business and other activities in the State, an excise  
9 tax equal to:

10           (1) 5.00 cents for each cigarette sold, used, or possessed  
11           by a wholesaler or dealer after June 30, 1998, whether  
12           or not sold at wholesale, or if not sold, then at the  
13           same rate upon the use by the wholesaler or dealer;

14           (2) 6.00 cents for each cigarette sold, used, or possessed  
15           by a wholesaler or dealer after September 30, 2002,  
16           whether or not sold at wholesale, or if not sold, then  
17           at the same rate upon the use by the wholesaler or  
18           dealer;

19           (3) 6.50 cents for each cigarette sold, used, or possessed  
20           by a wholesaler or dealer after June 30, 2003, whether



- 1 or not sold at wholesale, or if not sold, then at the  
2 same rate upon the use by the wholesaler or dealer;
- 3 (4) 7.00 cents for each cigarette sold, used, or possessed  
4 by a wholesaler or dealer after June 30, 2004, whether  
5 or not sold at wholesale, or if not sold, then at the  
6 same rate upon the use by the wholesaler or dealer;
- 7 (5) 8.00 cents for each cigarette sold, used, or possessed  
8 by a wholesaler or dealer on and after September 30,  
9 2006, whether or not sold at wholesale, or if not  
10 sold, then at the same rate upon the use by the  
11 wholesaler or dealer;
- 12 (6) 9.00 cents for each cigarette sold, used, or possessed  
13 by a wholesaler or dealer on and after September 30,  
14 2007, whether or not sold at wholesale, or if not  
15 sold, then at the same rate upon the use by the  
16 wholesaler or dealer;
- 17 (7) 10.00 cents for each cigarette sold, used, or  
18 possessed by a wholesaler or dealer on and after  
19 September 30, 2008, whether or not sold at wholesale,  
20 or if not sold, then at the same rate upon the use by  
21 the wholesaler or dealer;



- 1           (8) 13.00 cents for each cigarette sold, used, or  
2                    possessed by a wholesaler or dealer on and after  
3                    July 1, 2009, whether or not sold at wholesale, or if  
4                    not sold, then at the same rate upon the use by the  
5                    wholesaler or dealer;
- 6           (9) 11.00 cents for each little cigar sold, used, or  
7                    possessed by a wholesaler or dealer on and after  
8                    October 1, 2009, whether or not sold at wholesale, or  
9                    if not sold, then at the same rate upon the use by the  
10                  wholesaler or dealer;
- 11          (10) 15.00 cents for each cigarette or little cigar sold,  
12                    used, or possessed by a wholesaler or dealer on and  
13                    after July 1, 2010, whether or not sold at wholesale,  
14                    or if not sold, then at the same rate upon the use by  
15                    the wholesaler or dealer;
- 16          (11) 16.00 cents for each cigarette or little cigar sold,  
17                    used, or possessed by a wholesaler or dealer on and  
18                    after July 1, 2011, whether or not sold at wholesale,  
19                    or if not sold, then at the same rate upon the use by  
20                    the wholesaler or dealer;



1        (12) 18.00 cents for each cigarette or little cigar sold,  
2        used, or possessed by a wholesaler or dealer on and  
3        after January 1, 2026, whether or not sold at  
4        wholesale, or if not sold, then at the same rate upon  
5        the use by the wholesaler or dealer;

6        [~~(12)~~] (13) Seventy per cent of the wholesale price of each  
7        article or item of tobacco products, other than large  
8        cigars, electronic smoking devices, and e-liquids,  
9        sold by the wholesaler or dealer on and after  
10       September 30, 2009, whether or not sold at wholesale,  
11       or if not sold, then at the same rate upon the use by  
12       the wholesaler or dealer;

13       [~~(13)~~] (14) Fifty per cent of the wholesale price of each  
14       large cigar of any length sold, used, or possessed by  
15       a wholesaler or dealer on and after September 30,  
16       2009, whether or not sold at wholesale, or if not  
17       sold, then at the same rate upon the use by the  
18       wholesaler or dealer; and

19       [~~(14)~~] (15) Seventy per cent of the wholesale price of each  
20       electronic smoking device or e-liquid sold, used, or  
21       possessed by a wholesaler or dealer on and after



1           January 1, 2024, whether or not sold at wholesale, or  
2           if not sold, then at the same rate upon the use by the  
3           wholesaler or dealer.

4   Where the tax imposed has been paid on cigarettes, little  
5   cigars, or tobacco products that thereafter become the subject  
6   of a casualty loss deduction allowable under chapter 235, the  
7   tax paid shall be refunded or credited to the account of the  
8   wholesaler or dealer. The tax shall be applied to cigarettes  
9   through the use of stamps."

10         SECTION 3. Section 245-15, Hawaii Revised Statutes, is  
11         amended to read as follows:

12         "**§245-15 Disposition of revenues.** All moneys collected  
13         pursuant to this chapter shall be paid into the state treasury  
14         as state realizations to be kept and accounted for as provided  
15         by law; provided that, of the moneys collected under the tax  
16         imposed pursuant to:

17           (1) Section 245-3(a)(5), after September 30, 2006, and  
18           prior to October 1, 2007, 1.0 cent per cigarette shall  
19           be deposited to the credit of the Hawaii cancer  
20           research special fund, established pursuant to section



1 304A-2168, for research and operating expenses and for  
2 capital expenditures;

3 (2) Section 245-3(a)(6), after September 30, 2007, and  
4 [~~prior to~~] before October 1, 2008:

5 (A) 1.5 cents per cigarette shall be deposited to the  
6 credit of the Hawaii cancer research special  
7 fund, established pursuant to section 304A-2168,  
8 for research and operating expenses and for  
9 capital expenditures;

10 (B) 0.25 cents per cigarette shall be deposited to  
11 the credit of the trauma system special fund  
12 established pursuant to section 321-22.5; and

13 (C) 0.25 cents per cigarette shall be deposited to  
14 the credit of the emergency medical services  
15 special fund established pursuant to section  
16 321-234;

17 (3) Section 245-3(a)(7), after September 30, 2008, and  
18 [~~prior to~~] before July 1, 2009:

19 (A) 2.0 cents per cigarette shall be deposited to the  
20 credit of the Hawaii cancer research special  
21 fund, established pursuant to section 304A-2168,



- 1 for research and operating expenses and for  
2 capital expenditures;
- 3 (B) 0.5 cents per cigarette shall be deposited to the  
4 credit of the trauma system special fund  
5 established pursuant to section 321-22.5;
- 6 (C) 0.25 cents per cigarette shall be deposited to  
7 the credit of the community health centers  
8 special fund established pursuant to section  
9 321-1.65; and
- 10 (D) 0.25 cents per cigarette shall be deposited to  
11 the credit of the emergency medical services  
12 special fund established pursuant to section  
13 321-234;
- 14 (4) Section 245-3(a)(8), after June 30, 2009, and [~~prior~~  
15 ~~to~~] before July 1, 2013:
- 16 (A) 2.0 cents per cigarette shall be deposited to the  
17 credit of the Hawaii cancer research special  
18 fund, established pursuant to section 304A-2168,  
19 for research and operating expenses and for  
20 capital expenditures;



- 1 (B) 0.75 cents per cigarette shall be deposited to  
2 the credit of the trauma system special fund  
3 established pursuant to section 321-22.5;
- 4 (C) 0.75 cents per cigarette shall be deposited to  
5 the credit of the community health centers  
6 special fund established pursuant to section  
7 321-1.65; and
- 8 (D) 0.5 cents per cigarette shall be deposited to the  
9 credit of the emergency medical services special  
10 fund established pursuant to section 321-234;
- 11 (5) Section 245-3(a)(11), after June 30, 2013, and [~~prior~~  
12 ~~to~~] before July 1, 2015:
- 13 (A) 2.0 cents per cigarette shall be deposited to the  
14 credit of the Hawaii cancer research special  
15 fund, established pursuant to section 304A-2168,  
16 for research and operating expenses and for  
17 capital expenditures;
- 18 (B) 1.5 cents per cigarette shall be deposited to the  
19 credit of the trauma system special fund  
20 established pursuant to section 321-22.5;



1 (C) 1.25 cents per cigarette shall be deposited to  
2 the credit of the community health centers  
3 special fund established pursuant to section  
4 321-1.65; and

5 (D) 1.25 cents per cigarette shall be deposited to  
6 the credit of the emergency medical services  
7 special fund established pursuant to section  
8 321-234; ~~and~~

9 (6) Section 245-3(a)(11), after June 30, 2015, and  
10 ~~[thereafter:]~~ before January 1, 2026:

11 (A) 2.0 cents per cigarette shall be deposited to the  
12 credit of the Hawaii cancer research special  
13 fund, established pursuant to section 304A-2168,  
14 for research and operating expenses and for  
15 capital expenditures;

16 (B) 1.125 cents per cigarette, but not more than  
17 \$7,400,000 in a fiscal year, shall be deposited  
18 to the credit of the trauma system special fund  
19 established pursuant to section 321-22.5;

20 (C) 1.25 cents per cigarette, but not more than  
21 \$8,800,000 in a fiscal year, shall be deposited



1 to the credit of the community health centers  
2 special fund established pursuant to section  
3 321-1.65; and

4 (D) 1.25 cents per cigarette, but not more than  
5 \$8,800,000 in a fiscal year, shall be deposited  
6 to the credit of the emergency medical services  
7 special fund established pursuant to section  
8 321-234[-]; and

9 (7) Section 245-3(a)(12), after December 31, 2025, and  
10 thereafter:

11 (A) 4.0 cents per cigarette shall be deposited to the  
12 credit of the Hawaii cancer research special  
13 fund, established pursuant to section 304A-2168,  
14 for research and operating expenses and for  
15 capital expenditures;

16 (B) 1.125 cents per cigarette, but not more than  
17 \$7,400,000 in a fiscal year, shall be deposited  
18 to the credit of the trauma system special fund  
19 established pursuant to section 321-22.5;

20 (C) 1.25 cents per cigarette, but not more than  
21 \$8,800,000 in a fiscal year, shall be deposited



1                   to the credit of the community health centers  
2                   special fund established pursuant to section  
3                   321-1.65; and  
4           (D) 1.25 cents per cigarette, but not more than  
5                   \$8,800,000 in a fiscal year, shall be deposited  
6                   to the credit of the emergency medical services  
7                   special fund established pursuant to section  
8                   321-234.

9   The department shall provide an annual accounting of these  
10   dispositions to the legislature."

11           SECTION 4. Statutory material to be repealed is bracketed  
12   and stricken. New statutory material is underscored.

13           SECTION 5. This Act shall take effect on December 31,  
14   2050.

15



**Report Title:**

Cigarette Tax; Hawaii Cancer Research Special Fund; Tax Increase; Revenue; Disposition

**Description:**

Beginning 1/1/2026, increases the cigarette tax from sixteen cents to eighteen cents and amends the disposition of cigarette tax revenues by allocating the increase in the cigarette tax amount to the Hawaii Cancer Research Special Fund. Effective 12/31/2050. (SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

